GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3671
ANSWERED ON:25.08.2006
FLEXIBILITY IN SMALL SAVINGS LOANS
Kathiria Dr. Vallabhbhai

Will the Minister of FINANCE be pleased to state:

(a) whether the Government of Gujarat represented to the Union Government that flexibility should be available to the State Government not to accept the small saving loans and an option may also be given to State Government to swap the high cost small saving loans taken earlier with the present loan;

(b) if so, the details thereof;

(c) whether a committee has been constituted to look into this aspect;

(d) if so, the details thereof;

(e) whether the committee has submitted its report in this regard; and

(f) if so, the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a)&(b): Yes, Sir. Some State Governments including Government of Gujarat have expressed reservations in accepting 100 percent transfer of net Small Savings Collections mobilized by them mainly on the ground of high cost of these funds and have also requested to swap such high coupon loans from the National Small Savings Fund (NSSF) with current lower coupon borrowings.Government of India has already implemented a State Debt Swap Scheme from 2002 -03 to 2004 -05 under which the States were enabled to pre-pay their high coupon loans, including small savings loans, owed to the Government of India with lower coupon loans from NSSF and additional open market borrowings. States swapped high coupon loans amounting to Rs. 1,03,652 crore under the scheme.

(c) to (f): Pursuant to the meeting of the National Development Council (NDC) held in June, 2005, a Committee has been set up under the chairmanship of Finance Minister to examine issues relating to the debt burden of States and debt relief with reference to their debt outstandings against NSSF.The Committee has not yet submitted its report.